

COMMONWEALTH OF MASSACHUSETTS
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION
DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE
CATHOLIC ASSOCIATION OF FORESTERS

Braintree, Massachusetts

As of December 31, 2013

NAIC GROUP CODE 0000

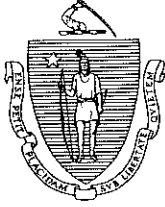
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Catholic Association of Foresters

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COMMONWEALTH OF MASSACHUSETTS
Office of Consumer Affairs and Business Regulation
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May 12, 2015

Honorable Daniel R. Judson
Commissioner of Insurance
Commonwealth of Massachusetts
Division of Insurance
1000 Washington Street, Suite 810
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Chapter 176, Section 44 of Massachusetts General Laws ("MGL") an examination has been made of the financial condition and affairs of

CATHOLIC ASSOCIATION OF FORESTERS

at its home office located at 220 Forbes Road, Suite 404 Braintree, Massachusetts, 02184-2715.
The following report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Catholic Association of Foresters, (hereinafter referred to as the "Society") was last examined as of December 31, 2010, by the Massachusetts Division of Insurance (the "Division"). The current examination was also conducted by the Division and covers the period from January 1, 2011 through December 31, 2013 including any material transactions and/or events subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

In addition to a review of the financial condition of the Society, the examination also included a review of the Society's business policies and practices, corporate records, reinsurance treaties, conflict of interest disclosure statements, fidelity bonds and other insurance, employees' benefits plans, disaster recovery plan, treatment of policyholders and other pertinent matters to provide reasonable assurance that the Society was in compliance with applicable laws, rules and regulations. In planning and conducting the examination, consideration was given to the concepts of materiality and risk and examination efforts were directed accordingly.

The Society is not required by Massachusetts law or regulations to include an opinion of independent certified public accountants in its annual statement. Consequently, work papers of a public accounting firm were not available for this examination.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings identified during the examination.

SUBSEQUENT EVENTS

Subsequent to December 31, 2013, there were no material items that came to our attention for inclusion in the Report of Examination.

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COMPANY HISTORY

General

The Society was chartered on July 30, 1879, and was incorporated on July 31, 1879, as the Massachusetts Catholic Order of Foresters, a not-for-profit fraternal benefit society duly organized under the laws of Massachusetts for the benefits of its members. It operates on the lodge system, with subordinate branches known as Courts, with a representative form of government and ritualistic work. The Society was established for charitable purposes in the promotion of fraternity, unity and true Christian charity among its members. On June 11, 1961, the agreement of association, articles of incorporation, constitution and bylaws of the Society were amended to change the name of the organization to "Catholic Association of Foresters".

The Health and Accident Insurance Department was established in 1957 by amendment of the Constitution to provide members insurance protection for the payment of hospital and medical expenses and for the services of surgeons, physicians, and nurses needed as a result of sickness, accident or injury and for the payment of benefits in the event of accidental death. Although some certificates remain in force, the Society has not issued certificates for these coverages since 1987, other than through a rarely exercised conversion option.

Membership in the Society is limited to members of the Roman Catholic Church who are duly admitted to membership as benefit members or social members in accordance with the constitution, bylaws and rules of the Society and the rules and regulation of the Executive Board duly enacted there under. A non-Catholic spouse of a Catholic member and children of such marriage shall also be eligible for membership.

As per the Society's bylaws, a benefit member is any member who is insured for life, endowment, annuity, hospital and medical or disability benefits. Applications for benefit membership are to be accompanied by evidence of insurability acceptable to the Society under such underwriting rules, regulations and restrictions as the Executive Board may adopt. A benefit member receives a certificate of insurance specifying the amount and nature of benefits provided therein. An adult benefit member is a member of insurance age eighteen or over who has been issued a certificate of insurance upon his/her own application.

A social member is an uninsured member eighteen years or over who has been duly admitted to social membership in the Society under the rules adopted by the Executive Board. A social member is not eligible to serve as an officer of a subordinate court or as a delegate to the Society Convention and has no voice or vote in the management of the Society

CORPORATE RECORDS

Executive Board Minutes

The minutes of the Executive Board for the period under statutory examination were read and indicated that all meetings were held in accordance with the Society's bylaws and the laws of the Commonwealth of Massachusetts. The previous Report of Examination was reviewed by the

Catholic Association of Foresters

Executive Board on July 10, 2012 as required by the Massachusetts statute. Affidavits were signed and submitted to the Division.

Constitution and Bylaws

The constitution and bylaws were reviewed. There were no changes during the period of this examination.

Conflict of Interest Procedures

The Society has adopted a policy statement pertaining to conflict of interest. In support of its answer to Question 18 of the General Interrogatories of the Annual Statement, the Society has an established procedure for the disclosure to the Executive Board of any material interest or affiliation on the part of any Officer or Director which is in or is likely to conflict with his/her official duties. Annually, each Officer, Director and responsible employee completes a questionnaire disclosing any material conflicts of interest. The completed questionnaires were reviewed and no discrepancies were noted to contradict the Society's response to the General Interrogatory regarding conflicts of interest reported in the Society's 2013 Annual Statement.

Disaster Recovery and Business Continuity

The Society does not provide for the continuity of management and operations in the event of a catastrophe or national emergency.

MANAGEMENT AND CONTROL

According to the Society's bylaws, the governing authority of the Society is reserved to the membership thereof acting through duly elected delegates in the Convention assembled. The Convention is the supreme legislative and governing body of the Society with full jurisdiction and final authority to resolve all appeals brought before it by Subordinate Courts and members.

Annual Meeting

The bylaws require the Society to hold a Convention between May 1 and June 30 of each year at a date and place selected by the Executive Board. A special Convention of the Society may also be called by the Executive Board at its discretion or by the written request of one-fourth of the number of Subordinate Courts for the transactions of such business as stated in the notice of the special Convention.

The Society's Convention is composed of the present members of the Executive Board and past members in good standing, the members of the Investment Board, the Finance Board, the Corporation Counsel, the Chief Rangers of Subordinate Courts during their term of office, the duly elected delegates of the Subordinate Courts, and delegates-at-large representing 4% of the membership. Each Subordinate Court is entitled to elect one adult benefit member in good standing in the Court as a delegate to the Convention for every twenty-five members of the Court; the Court also elects an alternate for each delegate who may act only in the absence of the

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delegate. In addition to the delegates elected by the Subordinate Courts, delegates-at-large equal in number to 4% of membership are elected by mail. The delegates of the Subordinate Court and delegates-at-large are eligible to serve as delegates for a term of one year from the date of their election and constitute at least two-thirds of the voting membership of the Convention. A quorum for the transaction of business at any session of the Convention consists of one-third of the duly accredited delegates who have registered as delegates for that session

Board of Directors

In the interim between Conventions, the responsibility for managing the affairs of the Society is vested in a subcommittee of the Board of Directors known as the Executive Board, except for the powers specifically delegated in the bylaws to the Investment and Finance Board. The Officers of the Society are Directors by virtue of office and constitute the Executive Board.

Members of the Executive Board of the Society at December 31, 2013, were as follows:

<u>Name of Director</u>	<u>Title</u>
Sue Callahan	High Chief Ranger
Melanie A. Michaud	High Vice Chief Ranger
John F. Anderson, Jr.	High Secretary Treasurer
Jerome F. Ryan	High Conductor
William F. Redmond	High Inside Sentinel
Douglas D. Turner	High Outside Sentinel
Peter H. Maher, M.D.	High Medical Examiner
Kathleen Hourihan	Junior Past High Chief Ranger

Committees

The constitution, bylaws and rules of the Society define the establishment and empowerment of the three standing boards and seven Convention Committees. The Executive Board, the Investment Board and the Finance Board perform necessary duties of the Society between Conventions. The seven Convention Committees are: the Committees on Constitution, Credentials, Resolution, Appeals, Nominations, State of the Order and the Committee on Ritualistic Work.

Executive Board

The responsibility for managing the affairs of the Society in the interim between Conventions is vested in the Executive Board, except for powers specifically delegated to the Investment Board and the Finance Board. The Officers of the Society constitute the Executive Board and are elected for one year at the annual Convention. Any benefit member in good standing, over 21 years of age, who has been a member of the Society for at least one year, is eligible for election to the Executive Board. The Executive Board may elect any benefit member in good standing over 21 years of age who has been a member of the Society for at least one year to fill a vacancy on the Executive Board occurring between annual conventions.

Catholic Association of Foresters

The Executive Board meets at least once a month with four members constituting a quorum. The Executive Board engages the services of one or more competent actuaries to perform such services as the Executive Board may require. The actuary(s) must report at least annually to the Board on the mortality and morbidity experience of the Society.

The Executive Board supervises and controls all funds and property of the Society except funds and property transferred to the custody of the Investment Board. The Executive Board transfers to the custody of the Investment Board from time to time the portion of the insurance funds that the High Secretary-Treasurer estimates are not needed currently for the payment of claims, dividends, surrender values and other benefits payable to members.

The Executive Board and the Finance Board review the annual budget of the Society as developed by the High Secretary-Treasurer, revise, amend, or modify it as desired and make their recommendations to the annual Convention. In the interim between Conventions, expenditures in excess of the total budget appropriation require a three-fourths vote of the Executive Board.

Investment Board

The Investment Board consists of the High Chief Ranger, High Secretary-Treasurer and three elected members, each of whom, is elected on successive years to serve a term of three years and whose terms of service expire alternately on successive years.

The Investment Board submits to the Executive Board in January and July of each year a full and detailed statement of investment information ending on the last day of June and December preceding, and such other investment information as the Executive Board may require. The Investment Board makes a full and complete report of all investments to the annual Convention. The Executive Board fills a vacancy in the Investment Board between the annual Convention.

At December 31, 2013, the Investment Board consisted of the following members:

Julia L. Clarke, Chairperson
Charles C. Wills
Charles J. Wills

Finance Board

The Finance Board consists of four members, one of whom shall be the High Chief Ranger, with the same authority as the other three members. The other three are elected on successive years, to serve a term of three years and whose terms of service expire alternately on successive years. At the annual Convention each year, one member is elected for a three-year term to fill a vacancy by any member. The Board usually elects a Chairperson from its membership who is to preside at all meetings of the Board.

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At December 31, 2013, members serving on the Finance Board were as follows:

Mary C. Cahalane, PHCR Chairperson
Janet A. King, PHCR
Francis Stasium

Officers

As per the bylaws, the Officers of the Society are the High Chief Ranger, High Vice Chief Ranger, High Secretary-Treasurer, High Conductor, High Inside Sentinel, and High Outside Sentinel, all of whom are Directors by virtue of office. Officers are elected by ballot at the annual Convention and serve for a term of one year or until their successors are duly elected. A majority of votes cast are necessary for election. The Junior Past High Chief Ranger remains a voting member of the Executive Board for an additional year or until his/her successor is duly qualified.

The High Secretary-Treasurer is the full time administrative officer of the Society charged with the duty of managing the business affairs of the Society subject to the supervision of the Executive Board. He receives compensation for his services as determined by the annual Convention. He is to prepare and file with the State Insurance Departments in which the Society conducts business the Annual Statements of the financial condition of the Society as required by law.

The officers of the Company at December 31, 2013, are as follows:

<u>Name of Officer</u>	<u>Title</u>
Sue Callahan	President
John F. Anderson, Jr.	Treasurer & Secretary
Melanie A. Michaud	Vice President

FIDELITY BONDS AND OTHER INSURANCE

The Society maintains fidelity coverage with an authorized Massachusetts insurer, consistent with MGL Chapter 175, Section 60. The aggregate limit of liability meets the NAIC suggested minimum.

The Society has further protected its interests and property by securing policies of insurance covering other insurable risks. Coverage is provided by insurers licensed in the Commonwealth of Massachusetts and was in force as of December 31, 2013.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

To fulfill the bylaws, a retirement plan for employees was established by the Society effective January 1, 1958. Under the plan, retirement benefits shall be paid to eligible employees upon

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retirement at age sixty-five or upon actual retirement if any employee continues in services after attaining such age. It is a non-contributory pension plan that covers substantially all of the Society's employees. The plan has been amended from time to time as necessary to remain qualified under Internal Revenue Service standards. The Society has no deferred compensation plans and no post-retirement benefit plans. The Society offers life insurance to its employees effective September 1, 2002. On a contributory basis, the Society offers its employees health protection through a choice of plans.

TERRITORY AND PLAN OF OPERATION

The Society's principal lines of business are life and accident and health insurance. The Society is licensed to write business in the following States:

Connecticut
Florida
Maine
Massachusetts
New Hampshire
Rhode Island
Vermont

Treatment of Policyholders

Procedures performed in conjunction with the claims test work indicated that the Society investigates and settles claims on a timely and equitable basis

GROWTH OF COMPANY

The growth of the Company for the years 2011 through 2013 is shown in the following schedule, which was prepared from the Company's annual statements.

<u>Year</u>	<u>Admitted</u>		<u>Surplus</u>	<u>Premiums and</u>
	<u>Assets</u>	<u>Liabilities</u>		<u>Annuity</u>
2011	\$13,220,816	\$6,807,464	\$6,413,352	<u>Considerations</u> \$204,267
2012	13,115,397	6,878,680	6,236,717	170,123
2013	13,126,883	6,933,764	6,193,119	151,401

REINSURANCE

Ceded Reinsurance

The Society has two reinsurance agreements with Swiss Re Life and Health America Inc, a New York company authorized to conduct business in Massachusetts. One agreement, which has been in effect since January 1, 1959, provides excess reinsurance on an automatic basis of all life insurance risks for life, waiver of premium, and accidental death benefits above the Society's retention. Subject to certain jumbo limits for total insurance on any one life, the reinsurer will automatically accept life reinsurance for an amount not exceeding 150% of the amount retained by the Society; the Society's maximum retention on any one risk is \$20,000. Reinsurance of life risks under the agreement is upon the yearly renewable term plan for the amount at risk under the certificate(s) reinsured. The second agreement in place is an automatic coinsurance agreement with the same reinsurer. Effective April 1, 1983, the automatic coinsurance agreement automatically provides on a coinsurance basis reinsurance of insureds under the Society's One-Year and Five-Year Term Plans, including life and waiver of premium benefits. Unless the total life insurance on a life would exceed \$2.5 million or the substandard mortality rating assessed to a risk would exceed 500%, the reinsurer will automatically accept life reinsurance for an amount not exceeding 150% of the amount retained by the Society. The Society's maximum retention on any one risk is \$20,000 and the maximum amount of coinsurance on one life is \$2.0 million.

Assumed Reinsurance

The Society does not assume reinsurance as of December 31, 2013.

ACCOUNTS AND RECORDS

The internal controls structure was discussed with management. Due to the small size of the organization, internal controls are limited. The Company maintains its accounts and records on an electronic data processing basis. All entries are input into this data processing system, which then generates the general ledger and supporting reports, as well as other reports common to the insurance industry. No material exceptions were noted.

STATUTORY DEPOSITS

The Society has no securities on deposit in any of the states that it does business in as of December 31, 2013.

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FINANCIAL STATEMENTS

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2013. The financial statements are the responsibility of Company management. The accompanying comments on the financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2013

Statement of Income for the Year Ended December 31, 2013

Statement of Capital and Surplus for the Year Ended December 31, 2013

Reconciliation of Capital and Surplus for Each Year in the Three-Year Period Ended December 31, 2013

Catholic Association of Foresters
Statement of Assets, Liabilities, Surplus and Other Funds
As of December 31, 2013

Assets	As Reported by the Company	Examination Changes	Per Statutory Examination
Bonds	\$9,687,040	\$ 0	\$9,687,040
Preferred Stocks	1,043,117		1,043,117
Common Stocks	1,730,012		1,730,012
Cash	412,257		412,257
Contract Loans	130,003		130,003
Subtotals, cash and invested assets	13,002,429	0	13,002,429
Investment income due and accrued	112,954		112,954
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	2,900		2,900
Electronic Data Processing Equip & Software	8,600		8,600
Total Assets	<u>\$13,126,883</u>	<u>\$ 0</u>	<u>\$13,126,883</u>

Catholic Association of Foresters
Statement of Assets, Liabilities, Surplus and Other Funds (continued)
As of December 31, 2013

	As Reported by the Company	Examination Changes	Per Statutory Examination	Notes
Liabilities				
Aggregate reserve for life contracts	\$5,454,580	\$ 0	\$5,454,580	
Aggregate reserve for accident and health contracts	2,100		2,100	
Liability for deposit-type contracts	55,594		55,594	
Contract claims:	19,730		19,730	
Life				
Accident and health	3,500		3,500	
Refunds due and unpaid	12,315		12,315	
Provisions for refunds payable in the following calendar year-estimated amounts:				
Apportioned for payment	10,000		10,000	
Premiums and annuity considerations for life and accident and health contracts received in advance	4,000		4,000	
Interest Maintenance Reserve	12,300		12,300	
General expenses due and accrued	11,100		11,100	
Taxes, licenses and fees due or accrued	30,000		30,000	
Amounts withheld or retained by Society as agent or trustee	210		210	
Liability for benefits for employees and fieldworkers if not included above	976,716		976,716	
Miscellaneous liabilities:				
Asset valuation reserve	306,278		306,278	
Aggregate write-ins for liabilities	35,341		35,341	
Total Liabilities	<u>6,933,764</u>	<u>0</u>	<u>6,933,764</u>	
 Unassigned funds(surplus)	 6,193,119		 6,193,119	
 Total Liabilities, Surplus and Other Funds	 <u>\$13,126,883</u>	 <u>\$ 0</u>	 <u>\$13,126,883</u>	

Catholic Association of Foresters
Statement of Income
For the Year Ended December 31, 2013

	As Reported by the Company	Examination Changes	Per Statutory Examination
Premiums and annuity for life and accident and health contracts	\$151,401	\$ 0	\$151,401
Net Investment Income	650,661		650,661
Amortization of Interest Maintenance Reserve	4,770		4,770
Aggregate write-ins for miscellaneous income	13,556		13,556
Totals	820,388		820,388
Death Benefits	169,661		169,661
Matured Endowments	30,220		30,220
Disability benefits and benefits under accident and health contracts	800		800
Surrender benefits and withdrawals for life contracts	86,628		86,628
Interest and adjustments on contracts or deposit-type contract funds	1,633		1,633
Increase in aggregate reserve for life and accident and health contracts	(38,352)		(38,352)
Totals	250,590		250,590
Commissions on premium, annuity considerations and deposit-type contract funds	11,456		11,456
General insurance expenses and fraternal expenses	611,783		611,783
Insurance taxes, licenses and fees	50,839		50,839
Aggregate write-ins for deductions	(35,348)		(35,348)
Totals	889,320		889,320
Net gain from operations before refunds to members	(68,932)		(68,932)
Refunds to members	9,559		9,559
Net gain from operations after refunds to members and before capital gains(losses)	(78,491)		(78,491)
Net realized capital gains tax (excluding \$1,078 transferred to the IMR)	75,665		75,665
Net income (loss)	<u>\$ (2,826)</u>	<u>\$ 0</u>	<u>\$ (2,826)</u>

Catholic Association of Foresters
Statement of Capital and Surplus
For the Year Ended December 31, 2013

	As Reported by the Company	Examination Changes	Per Statutory Examination
Surplus, December 31, previous year	\$6,236,717	\$ 0	\$6,236,717
Net income (loss)	(2,826)		(2,826)
Change in net unrealized capital gains (losses)	87,812		87,812
Change in reserve on account of change in valuation basis, (increase) or decrease	(150,000)		(150,000)
Change in asset valuation reserve	21,415		21,415
Aggregate write-ins for gains and losses in surplus	1		1
Net change in surplus for the year	<u>(43,598)</u>		<u>(43,598)</u>
Surplus December 31, current year	<u>\$6,193,119</u>	<u>\$ 0</u>	<u>\$6,193,119</u>

Catholic Association of Foresters
Reconciliation of Capital and Surplus
For Each Year in the Three-Year Period Ended December 31, 2013

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Capital and surplus, December 31 prior year	\$6,236,717	\$6,413,352	\$6,378,899
Net income (loss)	(2,826)	(153,761)	13,691
Change in net unrealized capital gains or (losses)	87,812	145,200	111,738
Change in reserve on account of change in valuation basis, (increase) or decrease	(150,000)	(150,000)	
Change in asset valuation reserve	21,415	(18,076)	(90,976)
Aggregate write-ins for gains and losses in surplus	<u>1</u>	<u>2</u>	
Net change in capital and surplus for the year	<u>(43,598)</u>	<u>(176,635)</u>	<u>34,453</u>
Capital and surplus, December 31 current year	<u><u>\$6,193,119</u></u>	<u><u>\$6,236,717</u></u>	<u><u>\$6,413,352</u></u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

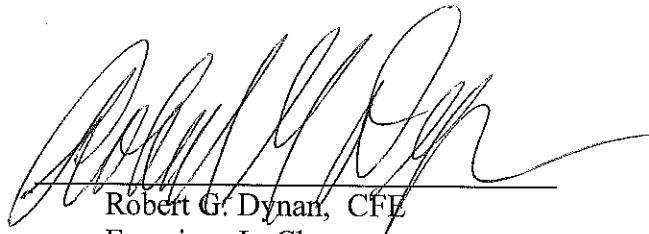
There are no comments on the financial statement items.

ACKNOWLEDGEMENT

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Society during the examination.

The assistance rendered by the following Division examiner who participated in the examination is hereby acknowledged.

Steven Tsimitsos, CFE, Senior Examiner



Robert G. Dynan, CFE
Examiner-In-Charge
Commonwealth of Massachusetts
Division of Insurance